

Government
of CanadaGouvernement
du Canada**Department of Finance Canada**

Canada

The Fiscal Monitor

A publication of the Department of Finance

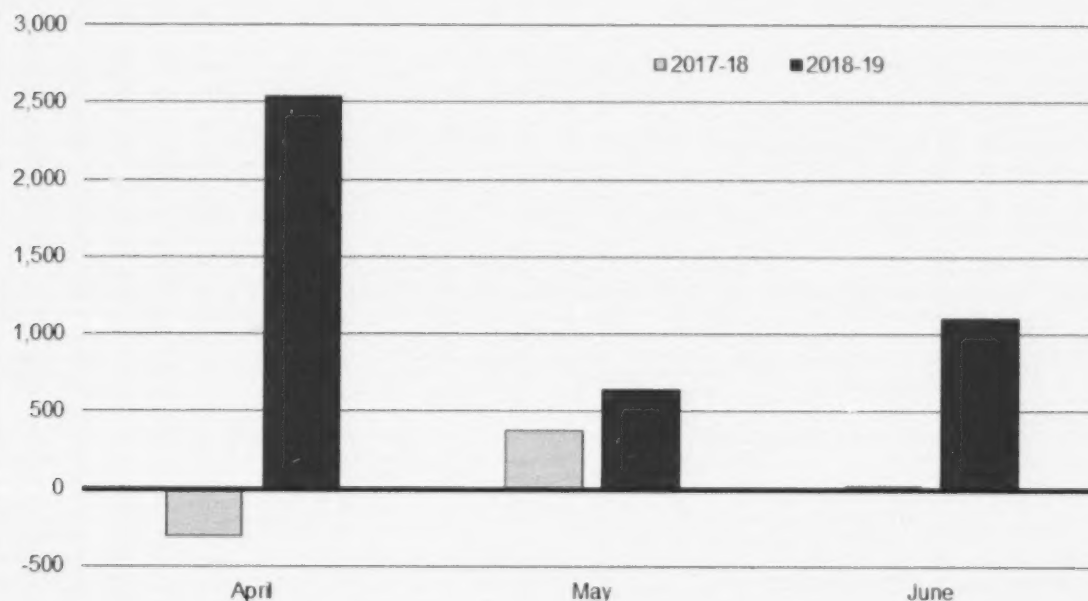
Highlights

June 2018

There was a budgetary surplus of \$1.1 billion in June 2018, compared to a surplus of \$16 million in June 2017. Revenues increased by \$2.2 billion, or 8.6 per cent, reflecting increases in income tax revenues, Employment Insurance (EI) premium revenues and other revenues. Program expenses increased by \$0.9 billion, or 3.9 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges increased by \$0.2 billion, or 8.6 per cent, reflecting in part a higher average effective interest rate on the stock of Government of Canada treasury bills.

Monthly budgetary balance

\$ millions



April to June 2018

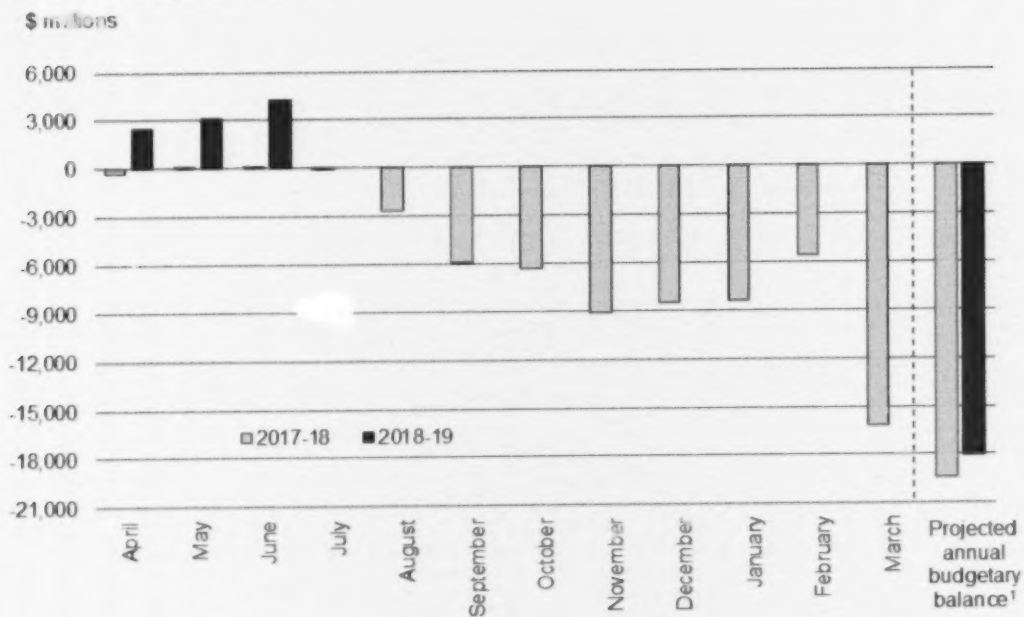
For the April to June 2018 period of the 2018-19 fiscal year, the Government posted a budgetary surplus of \$4.3 billion, compared to a surplus of \$0.1 billion reported in the same period of 2017-18. Revenues were up \$6.5 billion, or 8.6 per cent, reflecting increases in tax revenues, EI premium

revenues and other revenues. Program expenses were up \$1.6 billion, or 2.3 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were up \$0.7 billion, or 11.1 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Government of Canada treasury bills.

The financial results for the first three months of the fiscal year provide limited information with respect to the outlook for the year as a whole. That being said, the financial results through the April to June 2018 period are broadly in line with the fiscal projection for 2018-19 presented in the budget as expenses are expected to be concentrated later in the fiscal year, consistent with prior-year trends.

An update of the economic and fiscal outlook will be provided in the *Fall Economic Statement*.

Year-to-date budgetary balance



¹ Source: Budget 2018.

Table 1
Summary statement of transactions
(\$ millions)

	June		April to June	
	2017	2018	2017-18	2018-19
Budgetary transactions				
Revenues	24,977	27,132	75,270	81,774
Expenses				
Program expenses	-22,924	-23,809	-69,068	-70,688
Public debt charges	-2,037	-2,213	-6,119	-6,800
Budgetary balance (deficit/surplus)	16	1,110	83	4,286
Non-budgetary transactions	-2,271	-8,243	-16,461	-11,181
Financial source/requirement	-2,255	-7,133	-16,378	-6,895
Net change in financing activities	-879	-7,214	21,945	5,909
Net change in cash balances	-3,134	-14,347	5,567	-986
Cash balance at end of period			42,469	36,691

Notes: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Revenues

Revenues in June 2018 totalled \$27.1 billion, up \$2.2 billion, or 8.6 per cent, from June 2017.

- Tax revenues increased by \$1.9 billion, or 9.4 per cent, due mainly to growth in personal and corporate income tax revenues.
- EI premium revenues were up \$0.1 billion, or 6.0 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and

services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up \$0.1 billion, or 3.8 per cent.

For the April to June period of 2018-19, revenues were \$81.8 billion, up \$6.5 billion, or 8.6 per cent, from the same period the previous year.

- Tax revenues increased by \$6.1 billion, or 10.0 per cent, driven largely by growth in income tax revenues and Goods and Services Tax revenues.
- EI premium revenues were up \$0.3 billion, or 5.4 per cent.
- Other revenues were up \$23 million, or 0.3 per cent.

Table 2
Revenues

	June			April to June		
	2017	2018	Change	2017-18	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	11,546	12,433	7.7	35,024	37,743	7.8
Corporate	3,889	5,253	35.1	11,070	13,642	23.2
Non-resident	498	650	30.5	1,611	2,063	28.1
Total income tax revenues	15,933	18,336	15.1	47,705	53,448	12.0
Other taxes and duties						
Goods and Services Tax	3,286	2,763	-15.9	9,838	10,132	3.0
Energy taxes	361	441	22.2	1,229	1,320	7.4
Customs import duties	502	455	-9.4	1,383	1,314	-5.0
Other excise taxes and duties	535	567	6.0	1,465	1,548	5.7
Total other taxes and duties	4,684	4,226	-9.8	13,915	14,314	2.9

Total tax revenues	20,617	22,562	9.4	61,620	67,762	10.0
Employment Insurance premiums	1,937	2,054	6.0	6,286	6,625	5.4
Other revenues	2,423	2,516	3.8	7,364	7,387	0.3
Total revenues	24,977	27,132	8.6	75,270	81,774	8.6
Note: Totals may not add due to rounding.						

Expenses

Program expenses in June 2018 were \$23.8 billion, up \$0.9 billion, or 3.9 per cent, from June 2017.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.1 billion, or 2.0 per cent. Elderly benefits increased by \$0.2 billion, or 4.8 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefits decreased by \$0.1 billion, or 7.7 per cent. Children's benefits were up \$0.1 billion, or 2.6 per cent.
- Major transfers to other levels of government were up \$0.2 billion, or 3.5 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up \$0.5 billion, or 5.5 per cent. Within direct program expenses:
 - Other transfer payments increased by \$0.3 billion, or 9.4 per cent, largely reflecting an increase in infrastructure spending and year-over-year differences in the timing of transfers.
 - Other direct program expenses, made up of operating expenses of the Government's departments, agencies, and consolidated Crown corporations and other entities, increased by \$0.3 billion, or 3.9 per cent.

Public debt charges were up \$0.2 billion, or 8.6 per cent, reflecting in part a higher average effective interest rate on the stock of Government of Canada treasury bills.

For the April to June period of 2018-19, program expenses were \$70.7 billion, up \$1.6 billion, or 2.3 per cent, from the same period the previous year.

- Major transfers to persons were up \$0.3 billion, or 1.1 per cent. Elderly benefits increased by \$0.6 billion, or 5.0 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefits decreased by \$0.6 billion, or 11.7 per cent. Children's benefits were up \$0.2 billion, or 3.7 per cent.
- Major transfers to other levels of government were up \$0.6 billion, or 3.6 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.

- Direct program expenses were up \$0.7 billion, or 2.6 per cent. Within direct program expenses:
 - Other transfer payments increased by \$3 million, or 0.0 per cent.
 - Other direct program expenses increased by \$0.7 billion, or 3.7 per cent.

Public debt charges increased by \$0.7 billion, or 11.1 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Government of Canada treasury bills.

Table 3

Expenses

	June			April to June		
	2017	2018	Change	2017-18	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,160	4,361	4.8	12,404	13,024	5.0
Employment Insurance benefits	1,358	1,254	-7.7	4,954	4,373	-11.7
Children's benefits	1,981	2,033	2.6	5,894	6,110	3.7
Total	7,499	7,648	2.0	23,252	23,507	1.1
Major transfers to other levels of government						
Canada Health Transfer	3,096	3,215	3.8	9,287	9,646	3.9
Canada Social Transfer	1,146	1,180	3.0	3,437	3,540	3.0
Equalization	1,521	1,580	3.9	4,563	4,740	3.9
Territorial Formula Financing	251	257	2.4	1,429	1,469	2.8
Gas Tax Fund	0	0	n/a	0	0	n/a
Home care and mental health	n/a	0	n/a	n/a	17	n/a
Other fiscal arrangements ¹	-397	-416	4.8	-1,189	-1,248	5.0
Total	5,617	5,816	3.5	17,527	18,164	3.6
Direct program expenses						
Other transfer payments	2,816	3,082	9.4	8,483	8,486	0.0
Other direct program expenses	6,992	7,263	3.9	19,806	20,531	3.7

Total direct program expenses	9,808	10,345	5.5	28,289	29,017	2.6
Total program expenses	22,924	23,809	3.9	69,068	70,688	2.3
Public debt charges	2,037	2,213	8.6	6,119	6,800	11.1
Total expenses	24,961	26,022	4.3	75,187	77,488	3.1

Note: Totals may not add due to rounding.

¹ Other fiscal arrangements include the Youth Allowances Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; payments under the 2005 Offshore Accords; and payments to provinces in respect of common securities regulation.

The following table presents total expenses by main object of expense.

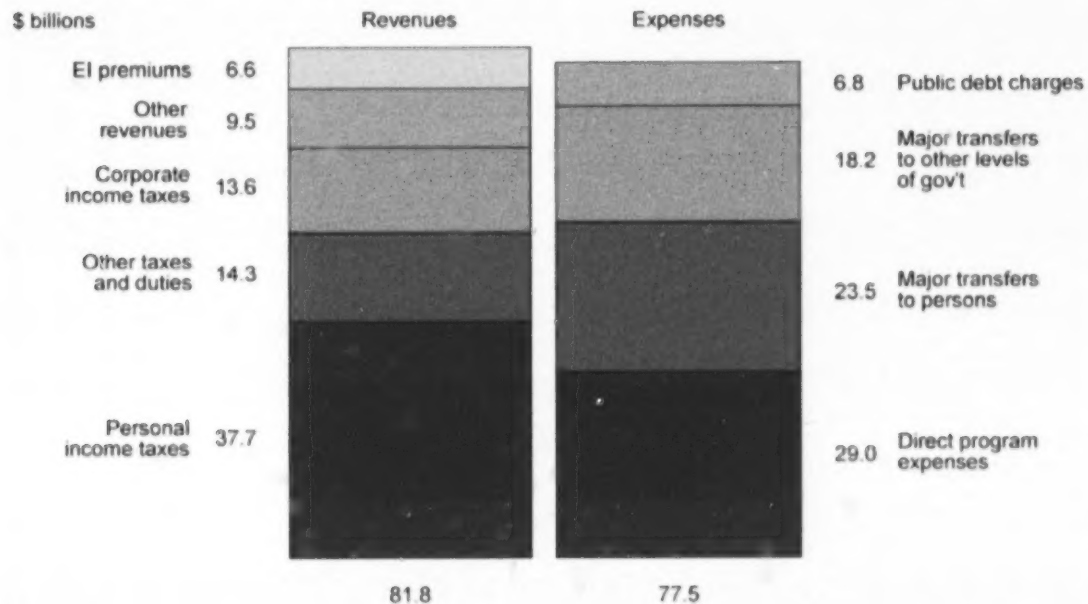
Table 4

Total expenses by object of expense

	June			April to June		
	2017	2018	Change	2017-18	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	15,932	16,546	3.9	49,262	50,157	1.8
Other expenses						
Personnel	4,125	4,187	1.5	11,733	12,471	6.3
Transportation and communications	231	252	9.1	486	541	11.3
Information	20	15	-25.0	37	40	8.1
Professional and special services	784	853	8.8	1,634	1,715	5.0
Rentals	163	201	23.3	735	782	6.4
Repair and maintenance	196	231	17.9	382	411	7.6
Utilities, materials and supplies	210	199	-5.2	514	510	-0.8
Other subsidies and expenses	865	934	8.0	3,048	2,831	-7.1
Amortization of tangible capital assets	385	374	-2.9	1,209	1,196	-1.1
Net loss on disposal of assets	13	17	30.8	28	34	21.4
Total other expenses	6,992	7,263	3.9	19,806	20,531	3.7
Total program expenses	22,924	23,809	3.9	69,068	70,688	2.3
Public debt charges	2,037	2,213	8.6	6,119	6,800	11.1
Total expenses	24,961	26,022	4.3	75,187	77,488	3.1

Note: Totals may not add due to rounding.

Revenues and expenses (April to June 2018)



Note: Totals may not add due to rounding.

Financial requirement of \$6.9 billion for April to June 2018

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of \$4.3 billion and a requirement of \$11.2 billion from non-budgetary transactions, there was a financial requirement of \$6.9 billion for the April to June 2018 period, compared to a financial requirement of \$16.4 billion for the same period the previous year.

Table 5

**The budgetary balance and financial source/requirement
(\$ millions)**

	June		April to June	
	2017	2018	2017-18	2018-19
Budgetary balance (deficit/surplus)	16	1,110	83	4,286
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	-11,028	-5,523	-18,916	-10,147
Pensions, other future benefits, and other liabilities	302	667	535	1,457
Foreign exchange accounts	5,022	-2,774	-60	-316
Loans, investments and advances	3,401	-602	1,615	-2,387
Non-financial assets	32	-11	365	212
Total non-budgetary transactions	-2,271	-8,243	-16,461	-11,181
Financial source/requirement	-2,255	-7,133	-16,378	-6,895

Note: Totals may not add due to rounding.

Net financing activities up \$5.9 billion

The Government financed this financial requirement of \$6.9 billion by decreasing cash balances by \$1.0 billion and increasing unmatured debt by \$5.9 billion. The increase in unmatured debt was achieved primarily through the issuance of treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of June 2018 stood at \$36.7 billion, down \$5.8 billion from their level at the end of June 2017.

Table 6

Financial source/requirement and net financing activities
(\$ millions)

	June		April to June	
	2017	2018	2017-18	2018-19
Financial source/requirement	-2,255	-7,133	-16,378	-6,895
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-10	-4,059	9,703	-2,109
Treasury bills	3,400	-4,600	13,800	8,600
Retail debt	71	-29	-75	-114
Total	3,461	-8,688	23,428	6,377
Foreign currency borrowings	-855	706	32	523
Total	2,606	-7,982	23,460	6,900
Cross-currency swap revaluation	-3,167	846	-1,035	-367
Unamortized discounts and premiums on market debt	-267	-32	-375	-520
Obligations related to capital leases and other unmaturred debt	-51	-46	-105	-104
Net change in financing activities	-879	-7,214	21,945	5,909
Change in cash balance	-3,134	-14,347	5,567	-986
Cash balance at end of period			42,469	36,691

Note: Totals may not add due to rounding.

Notes

1. *The Fiscal Monitor* is a report on the consolidated financial results of the Government of Canada, prepared monthly by the Department of Finance Canada. The Government is committed to releasing *The Fiscal Monitor* on a timely basis in accordance with the International Monetary Fund's Special Data Dissemination Standard Plus, which is designed to promote member countries' data transparency and promote the development of sound statistical systems.
2. The financial results reported in *The Fiscal Monitor* are drawn from the accounts of Canada, which are maintained by the Receiver General and used to prepare the annual *Public Accounts of Canada*.
3. *The Fiscal Monitor* is generally prepared in accordance with the same accounting policies as used to prepare the Government's annual consolidated financial statements, which are summarized in Section 2 of Volume I of the *Public Accounts of Canada*, available through the Public Services and Procurement Canada website.
4. The financial results presented in *The Fiscal Monitor* have not been audited or reviewed by an external auditor.
5. There can be substantial volatility in monthly results due to the timing of revenue receipts and expense recognition. For instance, a large share of government spending is typically reported in the March *Fiscal Monitor*.
6. The April to March results reported in *The Fiscal Monitor* are not the final results for the fiscal year as a whole. The final results are published in the annual *Public Accounts of Canada* and incorporate post-March end-of-year adjustments made once further information becomes available, including the accrual of tax revenues reflecting assessments of tax returns and valuation adjustments for assets and liabilities. Post-March adjustments may also include the accrual of measures announced in the budget that are recorded upon receipt of Royal Assent of enabling legislation.
7. Table 7, Condensed Statement of Assets and Liabilities, is included in the monthly *Fiscal Monitor* following the finalization and publication of the Government's financial results for the preceding fiscal year, typically in the fall.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

For inquiries about this publication, contact Bradley Recker at 613-369-5667.

August 2018

© Her Majesty the Queen in Right of Canada (2018)

All rights reserved

All requests for permission to reproduce this document or any part thereof shall be addressed to the Department of Finance Canada.

Cette publication est également disponible en français.

Cat. No.: F12-4E-PDF

ISSN: 1487-0134